GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4074
ANSWERED ON:14.12.2001
SUITS AGAINST BANK LOAN DEFAULTERS
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Will the Minister of FINANCE be pleased to state:

(a) whether RBI has asked the banks to file criminal suits against willful defaulters in the payment of loan taken by them from the banks;

(b) the details of defaulters of the category of more than one crore in the public sector banks where either criminal suits have been filed or matters have been referred to DRT during the last three years :

(c) the bank-wise amount of NPA recovered during the last three years;

(d) the reasons for the low rate of NPA recovery; and

(e) the steps taken/being proposed for fast recovery of NPA ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): Reserve Bank of India (RBI) has reported that it has advised the banks to examine all cases of wilful defaults of Rs.1.00 crore and above and file suits in such cases. RBI has further reported that in cases involving amounts below Rs.1.00 crore, it had advised the banks to take appropriate action, including legal action, against the defaulting borrowers.

(b): RBI has reported that out of 581 cases of wilful default with outstanding of Rs.1 crore and above , the public sector banks had filed suits in 463 cases as on 30th June, 2001. RBI has further reported that in addition, the public sector banks had filed criminal cases in 37 cases.

(c): The amount recovered (including compromise/upgradation and write-offs) by public sector banks for the years ended 31st March, 2000, 31st March, 2001 and the half-year ended 30th September, 2001, bank-wise, is given in the Annexure.

(d): The reasons for the low rate of NPA recovery by the banks include infirmities in the existing process of debt recovery, inadequate legal provisions on foreclosure and bankruptcy and difficulties in the execution of court decrees etc.

(e): Government of India and RBI have advised the banks and financial institutions to take several steps for recovery of dues such as evolving and implementation of recovery policy, filing of suits with civil courts, filing cases with Debt Recovery Tribunals (DRTs), compromise settlement through Settlement Advisory Committees and monitoring and follow up of Non-Performing Assets (NPAs) at various levels in the bank. Reserve Bank of India (RBI) had issued guidelines to all public sector banks vide its circulardated 27th July, 2000 for recovery of their dues relating to NPAs through a simplified non-discretionary and non-discriminatory mechanism for settlement of NPAs upto Rs.5 crore and advised banks to evolve their own policy for loans outstandings of above Rs.5 crore.The scheme was initially upto 31st March, 2001 and was subsequently extended upto 30th June, 2001.All applications received by the banks upto 30th June, 2001 were to be processed and decisions taken thereon by 30th September, 2001. The banks have also been advised to use the forum of Lok Adalat for compromise settlement of their NPAs and guideline have been issued by RBI in May, 2001 for making increased use of this forum to settle disputes involving outstanding balance in NPA accounts upto Rs. 5 lakhs. Action has also been initiated to bring in a legislation that will facilitate foreclosures and enforcement of securities in cases of default, in order to enable the banks and financial institutions to realize their dues. Credit Information Bureau is also being set up to disseminate information on borrowers to the banks. Action has also been initiated for the setting up of Asset Reconstruction Companies (ARCs).